

Sovereign Air, Inc.

Sovereign Air, Inc.
Jon Payne, CFO
105 Main St.
PO Box 240
Belcourt, ND 58316

Mr. Damon Walker
US Department of Transportation
1200 New Jersey Ave. SE
Washington, DC 20590

February 20, 2009

Dear Mr. Walker:

Please accept the following responses to your letter to Ms. Sandra Poitra on October 14, 2008. The responses have been arranged according to your Information Request. This information represents the latest updates to the information previously denied confidential treatment.

Financial Position and Operating Plans

The answers to the questions are as follows:

1. Sovereign Air, Inc. (SAI) will initially run scheduled service operations between Minot, ND and Williston, ND, one round trip per weekday, with no trips on the weekends. SAI currently has full control of a Cessna 172M, N1245U. The plane is owned by a shareholder and leased to SAI, with payments being deferred until the company has substantial profits. The ownership of this plane will be transferred to SAI before operations begin under similar deferred payment terms. The current lease contract is available on request. The plane is currently fully insured by XL Specialty Insurance Company Arlington/Roe & Co. Inc. and will have no payments due during August through October of this year. Proving runs for the FAA will not be a significant cost, since the fuel costs are not likely to be over \$700 and the pilot should not be needed for more than three days to accomplish the proving runs. Station monthly costs at Minot and Williston will be minimal since the maximum number of passengers per flight is three and operations will be between the FBOs. The FBOs will receive profits from fuel purchases. There are no landing fees for a 172 at either airport. Our pilot is already trained for this operation. Much of the true overhead liabilities are in the form of accrued wages by the principals of the company and therefore do not affect cash flows during 2009. SAI does not anticipate any legal costs related to the proposed scheduled service. Most of the DOT scheduled service application expenses have

already been paid during 2008. See the attached financial spreadsheets along with other detailed financial notes and projections.

2. SAI will re-accommodate passengers whose flights have been canceled due to service irregularities, if any, with another Cessna 172 or a Cessna 340 that will be leased to SAI. These aircraft should be on SAI's certificate by the time scheduled service begins, and will be used primarily for On Demand flights. The 172 will likely be used primarily by students in flight training.
3. The primary aircraft SAI intends to operate in scheduled operations is not IFR rated. However, when IFR conditions are likely to occur, SAI will use the Cessna 340, which is IFR rated.
4. See comments in item #1 above and attached quarterly income projections for 2009. Items regarding 14 CFR 204.3(t)(2) are either in the attached financial information or provided as follows:

Estimate of traffic in the MOT-MSN market: between 6,000 and 10,000 per year.

Statements attached are prepared on a cash basis of accounting.

The underlying traffic forecasts were made based on average historical traffic rates and trends in this market.

Average load factor is 55%, peak is 65%.

Estimated breakeven is roughly 45%.

More information is available upon request.

5. See attached financial information.
6. See attached financial information.

Updates and Changes to Other Previously Submitted Information

A number of items have changed since information was last provided to the Department of Transportation. The following updates should be noted:

1. Phone and Fax numbers:

Sovereign Air, Inc., Belcourt Office Phone and Fax: (701) 477-6205

Toll Free #: (877) 971-7924

Sovereign Air, Inc., Crystal, MN Office Line 1: (763) 331-0409

Sovereign Air, Inc., Crystal, MN Office Line 2: (763) 971-7924

Sovereign Air, Inc., Crystal, MN Office Fax Line: (763) 746-8132

Office of CFO, Phone (210) 481-2617

Office of CFO, Fax (210) 481-7611

2. The latest Organization Chart is attached.

Mr. Slaubaugh will remain as Director of Maintenance part-time, until scheduled service begins.

Mr. Hartman will be a pilot and a full-time Sovereign Air employee before scheduled service begins. He will no longer be a Platinum Air Ambulance employee at that point. Mr. Hartman will be the Chief Pilot once scheduled service begins. Mr. Hartman has been a part-time employee since August, 2008

Ms. Sandra Poitra will become a full-time employee of Sovereign Air before scheduled service begins. She will no longer be employed with the Turtle Mountain Band of Chippewa Tribe Sky Dancer Hotel & Casino at that point.

Mr. Pietch is no longer employed by Sovereign Air. He will be replaced by Jack Ekyl when Sovereign begins scheduled service. Mr. Ekyl will be the full-time Director of Operations at that point.

Mrs. Barton has been employed on a part-time basis since the company was formed in 2005, accruing wages during that time.

Mrs. Christy Nunn is a new part-time employee serving as Director of Stations and Reservations. Her resume is attached. Mrs. Nunn is a US citizen.

Mr. Leo Jostead will be Director of Training part-time until the company reaches five of more pilots.

Mr. Tom Kovac will only be available on a part-time basis when needed.

3. Mrs. Lois Barton has become a shareholder with 2% ownership in Sovereign Air, Inc. The Karns Family Irrevocable Trust (Trustee: Jon Payne of 48 Champions Run, San Antonio, TX 78258) owns 47% of the company. No other ownership changes were made.
4. Sovereign Air is no longer leasing the King Air 200 from Surrey Lodge, LLC.

Additional information is available on request.

ADDITIONAL REMARKS

Sovereign Air, Inc. had believed all required information was submitted properly to the DOT prior to your letter to Ms. Poitra dated January 30, 2009. This letter was not received in our office until the afternoon of February 12th due to bad weather in the Belcourt area. I called your office the following morning. Sovereign Air is very grateful for the extension of time granted to post the information in the public docket.

Sincerely,

Jon Payne, CFO
Sovereign Air, Inc.

Date

(See attached signed copy of this sheet)

CERTIFICATE OF SERVICE STATEMENT

I hereby certify that I have on this day served a copy of Sovereign Air, Inc.'s responses to Mr. Damon Walker's letter to Ms. Sandra Poitra dated October 14, 2008 upon the persons shown in the following service list by registered mail.

Signed,

Jon Payne, CFO
Sovereign Air, Inc.
PO Box 240
Belcourt, North Dakota 58316

Date

(See attached signed copy of this sheet)

CERTIFICATE OF SERVICE LIST

Date: 2/20/09

Mr. Richard D. Kabanuck
Principal Operations Inspector
Fargo (FSDO)
4620 Amber Valley Parkway
Fargo, North Dakota 58104

Mr. Patrick Dame
Airport Manager
25 Airport Road
Minot, North Dakota 58703

Mr. Rick Marburger
Manager
PO Box 1306
Williston, North Dakota 58801

Mr. Gary R. Ness
Director
North Dakota Aeronautics Commission
PO Box 5020
Bismark, North Dakota 58502-5020

